

**CITY OF MISSOURI VALLEY**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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## City of Missouri Valley

### Officials

<u>Name</u>	<u>Title</u> (Before January 2012)	<u>Term Expires</u>
Clint Sargent	Mayor	January 2012
Robert Wentworth	Council Member	January 2012
Leonard Ratliff	Council Member	January 2012
Sherman Struble	Council Member	January 2012
Gene Dinsmore	Council Member	January 2014
Brent Dillinger	Council Member	January 2014

Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite

<u>Name</u>	<u>Title</u> (After January 2012)	<u>Term Expires</u>
Clint Sargent	Mayor	January 2014
Gene Dinsmore	Council Member	January 2014
Brent Dillinger	Council Member	January 2014
Dick Isom	Council Member	January 2016
Leonard Ratliff	Council Member	January 2016
Sherman Struble	Council Member	January 2016

Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite

**City of Missouri Valley**

January 23, 2013

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Missouri Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

Independent Auditors' Report  
City of Missouri Valley

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 23, 2013 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Missouri Valley's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Schraer & Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Missouri Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 9.5%, or approximately \$227,000 from fiscal year 2011 to fiscal year 2012. Operating grants increased \$194,000 and tax increment financing receipts increased \$36,000.
- Disbursements of the City's governmental activities increased 8.9% or approximately \$245,000 in fiscal year 2012 from fiscal year 2011. Public safety, culture and recreation, debt service, and capital projects increased approximately \$75,000, \$76,000, \$77,000, and \$93,000 respectively. Public works and general government disbursements decreased approximately \$60,000 and \$16,000, respectively.
- The City's total cash basis net assets decreased 5.7%, or approximately \$245,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$143,000, and the assets of the business type activities decreased approximately \$102,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Tax, 3) the Capital Projects Fund, 4) the Debt Service Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, all considered to be major funds of the City.

The required financial statements for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities decreased by approximately \$143,000 from a year ago. The analysis that follows focuses on the changes in cash balances for government activities.

The cost of all governmental activities this year was approximately \$2,998,000. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$2,067,328. The city paid for this with property taxes and other receipts.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 296	\$ 205
Operating grants, contributions and restricted interest	626	432
Capital grants, contributions and restricted interest	7	-
General receipts:		
Property tax	1,350	1,376
Tax increment financing	132	96
Local option sales tax	173	180
Grants and contributions not restricted to specific purposes	26	19
Unrestricted interest on investments	16	19
Miscellaneous	-	72
Total receipts	<u>2,626</u>	<u>2,399</u>
Disbursements:		
Operating:		
Public safety	669	594
Public works	463	523
Culture and recreation	521	445
General government	239	255
Debt service	692	615
Capital projects	414	321
Total disbursements	<u>2,998</u>	<u>2,753</u>
Change in cash basis net assets before transfers	(372)	(354)
Other financing sources (uses), net	<u>229</u>	<u>-</u>
Change in cash basis net assets	(143)	(354)
Cash basis net assets, beginning of year	<u>2,832</u>	<u>3,186</u>
Cash basis net assets, end of year	<u>\$ 2,689</u>	<u>\$ 2,832</u>

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 541	\$ 557
Sewer	361	364
General receipts:		
Miscellaneous	15	9
Unrestricted interest on investments	8	13
Total receipts	<u>925</u>	<u>943</u>
Disbursements:		
Water	603	669
Sewer	468	320
Total disbursements	<u>1,071</u>	<u>989</u>
Change in cash basis net assets before transfers	(146)	(46)
Other financing sources (uses), net	<u>44</u>	<u>-</u>
Change in cash basis net assets	(102)	(46)
Cash basis net assets, beginning of year	<u>1,489</u>	<u>1,535</u>
Cash basis net assets, end of year	<u>\$ 1,387</u>	<u>\$ 1,489</u>

The business type activities receipts for the fiscal year were approximately \$925,000, compared to \$943,000 last year. The cash balance decreased approximately \$102,000 from the prior year. Total disbursements increased approximately \$82,000 from the prior year.

## INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As City of Missouri Valley completed the year, its governmental funds reported a combined fund balance of \$2,689,757, a decrease of \$142,103 from the prior year. The reasons for the changes in fund balances of the major funds from the prior year are as follows:

- The General Fund increased \$317,337 from the prior year to \$675,763. The increase was primarily due to the Fire Department fully integrating into the City; bond proceeds on a new rescue truck which were not expended until FY13; FEMA reimbursements; and increase in property and hotel/motel taxes.
- The Road Use Tax Fund increased \$23,742 from the prior year to \$276,438. Expenses were reduced due to projects being completed. A new vehicle was purchased in 2011 and the City did not have that expense in 2012.
- The Local Option Sales Tax Fund decreased \$390,088 from the prior year to \$440,548. 75% of the 3<sup>rd</sup> Street Construction bond payment was made from the LOST fund and the Huron Street resurfacing project was also paid from this fund.

- The Debt Service Fund decreased \$64,172 from the prior year to \$1,089,327. Although debt service expenses increased due to bond refinancing, the overall balance decreased because part of the accrued balance was used to reduce the tax levy rate for the taxpayers.
- The Capital Projects Fund decreased \$2,997 from the prior year to (\$2,997). Expenses were incurred on the 2012 Street Construction projection prior to funding being in place.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund decreased \$43,408 from the prior year to \$967,327 due to the tank demolition at the old water plant and the meter replacement program.
- The Sewer Fund decreased \$57,502 from the prior year to \$420,032 due to the Grove Street and 3<sup>rd</sup> Street sewer line repairs.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time to increase budget receipts by \$311,711 and increase budget disbursements by \$480,551. Total City disbursements were \$332,793 less than the budgeted amount.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$5,384,231 in bonds and other long term debt, compared to \$5,615,486 last year.

Outstanding Debt at Year End		
	June 30,	
	2012	2011
General Obligation notes	\$ 3,799,231	3,585,486
TIF Revenue bonds	-	385,000
Revenue notes	1,585,000	1,645,000
Total	\$ 5,384,231	5,615,486

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,799,231 is below its constitutional debt limit of approximately \$5,900,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Missouri Valley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities.

The City of Missouri Valley's FY 2013 budget will increase from 2012 due to several street improvement projects. The bond payment on the 3<sup>rd</sup> Street paving project will again be made from Local Option Sales Tax receipts in 2013, therefore property tax dollars will not be levied for those expenses. The City will be undertaking two water line projects and a valve replacement project as well as continuing to upgrade water meters to a touch read system, all of which will be paid for through water and sewer receipts. The City will also be purchasing a new rescue truck for the Fire Department, which will be financed through a general

obligation bond. Several bond issues were refinanced in 2012 to obtain better interest rates, thereby saving tax dollars. This will slightly increase bond payments in 2013 and 2014, but it will be offset by debt retirement of other issues. The continued rise in fuel prices, equipment costs, and insurance expense, along with the State rollback, are negative economic factors that also must be considered in the 2013 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rita M. Miller, City Clerk, 223 East Erie Street, Missouri Valley, Iowa.

**City of Missouri Valley**  
**Basic Financial Statements**

City of Missouri Valley  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2012

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 668,898	96,085	163,838
Public works	462,781	61,244	373,222
Culture and recreation	521,007	85,876	40,932
General government	238,859	53,537	47,569
Debt service	691,656	-	-
Capital projects	413,542	-	-
Total governmental activities	2,996,743	296,742	625,561
Business type activities:			
Water	603,297	540,195	-
Sewer	467,579	361,322	-
Total business type activities	1,070,876	901,517	-
 Total	 \$ 4,067,619	 1,198,259	 625,561
 <b>General Receipts:</b>			
Property tax levied for:			
General purposes			
Employee benefits			
Debt service			
Tax increment financing			
Local option sales tax			
Grants and contributions not restricted to specific purposes			
Unrestricted interest on investments			
Miscellaneous			
Note proceeds			
Advanced debt refunding			
Total general receipts			
 Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
 <b>Cash Basis Net Assets</b>			
Restricted:			
Nonexpendable			
Cemetery perpetual care			
Expendable:			
Streets			
Property tax relief			
Debt service			
Other purposes			
Unrestricted			
 Total cash basis net assets			

See notes to financial statements

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes In Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(408,975)	-	(408,975)
-	(28,315)	-	(28,315)
-	(394,199)	-	(394,199)
-	(137,753)	-	(137,753)
-	(691,656)	-	(691,656)
7,112	(406,430)	-	(406,430)
7,112	(2,067,328)	-	(2,067,328)
-	-	(63,102)	(63,102)
-	-	(106,257)	(106,257)
-	-	(169,359)	(169,359)
7,112	(2,067,328)	(169,359)	(2,236,687)
\$	801,976	-	801,976
	296,482	-	296,482
	250,920	-	250,920
	132,026	-	132,026
	173,103	-	173,103
	25,979	3,322	29,301
	15,959	8,712	24,671
	-	12,109	12,109
	3,170,000	1,360,000	4,530,000
	(2,941,220)	(1,315,694)	(4,256,914)
	1,925,225	68,449	1,993,674
	(142,103)	(100,910)	(243,013)
	2,831,860	1,488,269	4,320,129
\$	2,689,757	1,387,359	4,077,116
\$	87,452	-	87,452
	276,438	-	276,438
	440,548	-	440,548
	1,089,327	137,430	1,226,757
	123,226	-	123,226
	672,766	1,249,929	1,922,695
\$	2,689,757	1,387,359	4,077,116

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2012

		Special Revenue	
	General	Road Use	Local Option Sales Tax
Receipts			
Property tax	\$ 656,335	-	-
Tax increment financing collections	-	-	-
Other city tax	145,641	-	173,103
Licenses and permits	55,207	-	-
Use of money and property	37,274	-	-
Intergovernmental	174,726	269,187	-
Charges for service	237,713	-	-
Special assessments	2,072	-	-
Miscellaneous	162,391	22,965	-
Total receipts	1,471,359	292,152	173,103
Disbursements			
Operating:			
Public safety	532,866	-	-
Public works	114,742	268,410	-
Culture and recreation	447,888	-	-
General government	202,526	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,298,022	268,410	-
Excess (deficiency) of receipts over (under) disbursements	173,337	23,742	173,103
Other financing sources (uses):			
Note proceeds	144,000	-	-
Advance debt refunding	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(563,191)
Total other financing sources (uses)	144,000	-	(563,191)
Net change in cash balances	317,337	23,742	(390,088)
Cash balances beginning of year	358,426	252,696	830,636
Cash balances end of year	\$ 675,763	276,438	440,548
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	276,438	-
Property tax relief	-	-	440,548
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	675,763	-	-
Total cash basis fund balances	\$ 675,763	276,438	440,548

See notes to financial statements



**Exhibit B**

Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
246,285	-	290,669	1,193,289
-	-	132,026	132,026
4,635	-	5,813	329,192
-	-	-	55,207
-	-	530	37,804
-	-	-	443,913
-	-	-	237,713
-	-	-	2,072
-	7,112	2,176	194,644
<u>250,920</u>	<u>7,112</u>	<u>431,214</u>	<u>2,625,860</u>
-	-	136,032	668,898
-	-	79,629	462,781
-	-	73,119	521,007
-	-	36,333	238,859
691,656	-	-	691,656
-	413,542	-	413,542
<u>691,656</u>	<u>413,542</u>	<u>325,113</u>	<u>2,996,743</u>
(440,736)	(406,430)	106,101	(370,883)
3,026,000	-	-	3,170,000
(2,941,220)	-	-	(2,941,220)
291,784	403,433	-	695,217
-	-	(132,026)	(695,217)
<u>376,564</u>	<u>403,433</u>	<u>(132,026)</u>	<u>228,780</u>
(64,172)	(2,997)	(25,925)	(142,103)
1,153,499	-	236,603	2,831,860
<u>1,089,327</u>	<u>(2,997)</u>	<u>210,678</u>	<u>2,689,757</u>
-	-	87,452	87,452
-	-	-	276,438
-	-	-	440,548
1,089,327	-	-	1,089,327
-	-	123,226	123,226
-	(2,997)	-	672,766
<u>1,089,327</u>	<u>(2,997)</u>	<u>210,678</u>	<u>2,689,757</u>

City of Missouri Valley  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2012

	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 540,195	361,322	901,517
Operating disbursements:			
Business type activities	<u>388,660</u>	<u>268,765</u>	<u>657,425</u>
Excess of operating receipts over operating disbursements	151,535	92,557	244,092
Non-operating receipts (disbursements):			
Interest on investments	7,585	1,127	8,712
Rent	-	3,322	3,322
Miscellaneous	12,109	-	12,109
Capital projects	(80,089)	(41,689)	(121,778)
Debt service	<u>(178,854)</u>	<u>(112,819)</u>	<u>(291,673)</u>
Total non-operating receipts (disbursements)	<u>(239,249)</u>	<u>(150,059)</u>	<u>(389,308)</u>
Deficiency of receipts under disbursements	(87,714)	(57,502)	(145,216)
Other financing sources (uses)			
Note proceeds	1,360,000	-	1,360,000
Advance debt refunding	<u>(1,315,694)</u>	<u>-</u>	<u>(1,315,694)</u>
Total other financing sources (uses)	<u>44,306</u>	<u>-</u>	<u>44,306</u>
Net change in cash balances	(43,408)	(57,502)	(100,910)
Cash balances beginning of year	<u>1,010,735</u>	<u>477,534</u>	<u>1,488,269</u>
Cash balances end of year	\$ <u>967,327</u>	<u>420,032</u>	<u>1,387,359</u>

**Cash Basis Fund Balances**

Restricted for:			
Debt service	\$ 137,430	-	137,430
Unrestricted	<u>829,897</u>	<u>420,032</u>	<u>1,249,929</u>
Total cash basis fund balances	\$ <u>967,327</u>	<u>420,032</u>	<u>1,387,359</u>

See notes to financial statements

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies**

The City of Missouri Valley is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Missouri Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission, Youth Enhancement Association, Southwest Iowa Planning Council, and Harrison County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in following categories/components:

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation – Continued**

Special Revenue (continued):

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Missouri Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies – Continued**

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed the budgeted amounts.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The carrying amount of cash at June 30, 2012 is \$3,967,122. This amount consists of checking accounts, money market and savings accounts, and certificates of deposit. Of this amount, \$3,684,247 is covered by federal depository insurance and \$282,690 is covered by collateral held by the city's agent in the City's name, except for \$185 which is petty cash.

At June 30, 2012, the City had the following investments:

Type	Carrying Amount	Fair Value
Insured Municipal Funds	\$ 30,005	\$ 33,008
U.S. Government Securities	79,989	85,957
	<u>\$ 109,994</u>	<u>\$ 118,965</u>

Credit risk

The City's investments listed above are rated as a Category 1 which are insured or registered securities, or securities held by the City or its agent, in the City's name.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City's total cash and investment was \$4,077,116 at June 30, 2012.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and notes and revenue notes are as follows:

Year Ended June 30,	General Obligation Debt Principal	Revenue Bonds Principal	Total Principal
2013	\$ 399,231	\$ 70,000	\$ 469,231
2014	410,000	75,000	485,000
2015	415,000	80,000	495,000
2016	320,000	105,000	425,000
2017	215,000	105,000	320,000
2018-2022	990,000	555,000	1,545,000
2023-2027	1,050,000	595,000	1,645,000
Total	\$ 3,799,231	\$ 1,585,000	\$ 5,384,231

  

Year Ended June 30,	Interest	Interest	Interest
2013	\$ 83,601	\$ 42,188	\$ 125,789
2014	69,510	36,803	106,313
2015	61,032	34,458	95,490
2016	53,655	31,795	85,450
2017	50,295	30,588	80,883
2018-2022	200,573	120,738	321,311
2023-2027	88,250	50,546	138,796
Total	\$ 606,916	\$ 347,116	\$ 954,032

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a legal debt limit of approximately \$5,900,000 which was not exceeded during the year ended June 30, 2012.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$225,000 in water revenue notes issued in April 2010 and \$1,360,000 in water revenue refunding bonds issued April 25, 2012. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes required less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,932,116. For the current year, total principal and interest paid and total customer net receipts were \$134,548 and \$151,535, respectively.



City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable - Continued**

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Commencing June 1, 2015, sufficient monthly transfers shall be made to water revenue note sinking accounts within the Water Enterprise Fund for the purpose of making the note principal and interest payments when due.
- c) Establish water reserve account of \$137,430 for the purpose of paying principal and interest payments when deposits in the sinking fund are insufficient to make such payments.
- d) Establish an improvement account after required payments to the sinking and reserve accounts until a balance of \$50,000 is accumulated.

The City has complied with the revenue note provisions.

**NOTE (4) Advance Debt Refunding**

On April 25, 2012, the City issued \$3,170,000 in General Obligation Rescue Vehicle and Refunding Notes. The new debt was used for the following purposes:

Debt Refunding:		
2005 General Obligation Bonds	\$	295,000
2010 Fire Truck Note		147,000
2009 General Obligation Bonds		215,000
2008 General Obligation Bonds		<u>2,185,000</u>
		2,842,000
Cash deposit		255
Rescue vehicle		144,000
Debt issuance costs		84,555
Prepaid interest on old debt		<u>99,220</u>
	\$	<u>3,170,000</u>

An escrow balance of \$2,479,036 at June 30, 2012 will be used to pay \$2,400,000 still outstanding on the refunded debt. The principal of \$215,000 has a full call at June 1, 2014 and the principal of \$2,185,000 has a full call of June 1, 2015. The escrow balance and refunded debt outstanding are not reflected in the City's financial statements.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (4) Advance Debt Refunding – Continued**

The difference between the future cash flow requirements to service the old debt and the new debt less the rescue vehicle portion of the debt is approximately \$245,000 less.

On April 25, 2012, the City issued \$1,360,000 in Water Revenue Refunding Bonds. The new debt will be used for the following purposes:

Debt Refunding:	
2008 Water Revenue Note	\$ 1,240,000
Debt issuance costs	44,305
Prepaid interest on old debt	<u>75,695</u>
	\$ <u>1,360,000</u>

An escrow balance of \$1,301,097 at June 30, 2012 will be used to pay \$1,240,000 still outstanding on the refunded debt. The debt has a full call at June 1, 2015. The escrow balance and refunded debt outstanding are not reflected in the City's financial statements.

The difference between the future cash flow requirements to service the old debt and the new debt is approximately \$105,000 less.

**NOTE (5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$61,964, \$56,486, and \$49,377, respectively, equal to the required contributions for each year.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (6) Other Postemployment Benefits (OPEB)**

Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 17 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$435 for single coverage, \$890 for single plus children, \$823 for single plus one, and \$1,334 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, there were no retired plan members eligible for benefits.

**NOTE (7) Leases**

In December 2010, the City entered into a lease agreement for a piece of equipment for \$92 per month for 60 months. Rent expense for the operating lease for the year ended June 30, 2012, was \$1,104. Future minimum lease payments are as follows:

Year Ended June 30,		
2013	\$	1,104
2014		1,104
2015		1,104
2016		460
	\$	<u>3,772</u>

**NOTE (8) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2012, primarily relating to the General Fund is \$36,971.

Sick leave may be converted to vacation pay for hours exceeding 960 and is payable upon termination at the rate of one hour of vacation per three hours of sick leave. The approximate liability for sick leave conversion payable upon termination of these employees is \$638 at June 30, 2012.

These liabilities are computed based on rates of pay effective as of June 30, 2012.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (9) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$84,893.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (9) Risk Management – Continued**

excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (10) Commitments**

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. The contract can be renewed every three years. The City made the required payment of \$24,349 in January 2012. The City's required payment for January 2013-2014 will be \$24,349 per year.

Administrative Services Contract

The City renewed its agreement with PeopleService, whereby the City engages PeopleService to manage, operate, and maintain the City's water and wastewater utility system. The Company in turn refunds to the City all cost savings on non-payroll operating expenses. The monthly contracted fee is \$17,092 effective through June 30, 2012, with an adjustment equaling one half the change in Consumer Price Index for All Urban Consumers (CPI-U) effective through June 30, 2013. Each year thereafter, the adjustment will equal the change in the CPI-U effective through June 30, 2017.

As required in this agreement, PeopleService computes, bills, collects and transmits to the City the revenues from water, sewer and landfill usage.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2012

**NOTE (11) Missouri Valley Development Corporation Agreement**

In April 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest will be due in full.

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2012 of \$1,375. The balance of the loan is \$25,000 at June 30, 2012.

**NOTE (12) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Special Revenue: Local Option Sales Tax	403,433
Debt Service	Special Revenue: Local Option Sales Tax	159,758
	Urban Renewal Tax Increment	132,026
		<u>291,784</u>
		\$ <u>695,217</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

**NOTE (13) Subsequent Events**

In September 2012, the City approved a resolution authorizing the issuance of \$1,400,000 General Obligation Street Improvement Bonds for the purpose of financing construction of street improvements.

### **Other Information**

City of Missouri Valley  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 1,193,289	-	1,193,289
Tax increment financing collections	132,026	-	132,026
Other city tax	329,192	-	329,192
Licenses and permits	55,207	-	55,207
Use of money and property	37,804	12,034	49,838
Intergovernmental	443,913	-	443,913
Charges for service	237,713	901,517	1,139,230
Special assessments	2,072	-	2,072
Miscellaneous	194,644	12,109	206,753
Total receipts	<u>2,625,860</u>	<u>925,660</u>	<u>3,551,520</u>
Disbursements			
Public safety	668,898	-	668,898
Public works	462,781	-	462,781
Culture and recreation	521,007	-	521,007
General government	238,859	-	238,859
Debt service	691,656	-	691,656
Capital projects	413,542	-	413,542
Business type activities	-	1,070,876	1,070,876
Total disbursements	<u>2,996,743</u>	<u>1,070,876</u>	<u>4,067,619</u>
Excess (deficiency) of receipts over (under) disbursements	(370,883)	(145,216)	(516,099)
Other financing sources, net	<u>228,780</u>	<u>44,306</u>	<u>273,086</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(142,103)	(100,910)	(243,013)
Balances beginning of year	<u>2,831,860</u>	<u>1,488,269</u>	<u>4,320,129</u>
Balances end of year	<u>\$ 2,689,757</u>	<u>1,387,359</u>	<u>4,077,116</u>

See accompanying independent auditors' report



Budgeted Amounts		Final to
Original	Final	Net Variance
1,177,848	1,177,848	15,441
114,432	114,432	17,594
296,712	297,288	31,904
18,500	44,000	11,207
45,900	46,050	3,788
373,499	454,569	(10,656)
1,162,000	1,222,500	(83,270)
61,120	61,120	(59,048)
72,405	216,326	(9,573)
<u>3,322,416</u>	<u>3,634,133</u>	<u>(82,613)</u>
610,065	712,127	43,229
481,195	492,745	29,964
469,017	554,679	33,672
229,153	257,517	18,658
608,740	755,740	64,084
500,000	500,000	86,458
1,021,691	1,127,604	56,728
<u>3,919,861</u>	<u>4,400,412</u>	<u>332,793</u>
(597,445)	(766,279)	250,180
<u>-</u>	<u>291,225</u>	<u>18,139</u>
(597,445)	(475,054)	232,041
<u>4,753,357</u>	<u>4,753,357</u>	<u>(433,228)</u>
<u>4,155,912</u>	<u>4,278,303</u>	<u>(201,187)</u>

City of Missouri Valley  
Notes to Other Information – Budgetary Reporting  
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$311,717 and increased budgeted disbursements by \$480,551. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012 disbursements did not exceed the amended budgeted amounts.

### **Supplementary Information**

City of Missouri Valley  
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2012

	Special Revenue			Permanent	
	Employee	Urban	CDBG	Cemetery	
	Benefits	Renewal Tax	Housing	Perpetual	Total
		Increment	Rehab	Care	
Receipts:					
Property tax	\$ 290,669	-	-	-	290,669
Tax increment financing collections	-	132,026	-	-	132,026
Other city tax	5,813	-	-	-	5,813
Use of money and property	-	-	530	-	530
Miscellaneous	301	-	1,375	500	2,176
Total receipts	296,783	132,026	1,905	500	431,214
Disbursements					
Public safety	136,032	-	-	-	136,032
Public works	79,629	-	-	-	79,629
Culture and recreation	73,119	-	-	-	73,119
General government	36,333	-	-	-	36,333
Total disbursements	325,113	-	-	-	325,113
Excess (deficiency) of receipts over (under) disbursements	(28,330)	132,026	1,905	500	106,101
Other financing sources (uses)					
Operating transfers in (out)	-	(132,026)	-	-	(132,026)
Net change in cash balances	(28,330)	-	1,905	500	(25,925)
Cash balances beginning of year	82,375	-	67,276	86,952	236,603
Cash balances end of year	\$ 54,045	-	69,181	87,452	210,678
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Cemetery perpetual care	\$ -	-	-	87,452	87,452
Restricted for other purposes	54,045	-	69,181	-	123,226
Total cash basis fund balances	\$ 54,045	-	69,181	87,452	210,678

See accompanying independent auditors' report

City of Missouri Valley  
Schedule of Indebtedness  
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation debt:			
Dump truck	Feb 23, 2008	5.15 %	\$ 72,429
Water improvement	Apr 24, 2008	3.20 - 3.60 %	2,980,000
Street sweeper	May 12, 2008	4.09 %	112,000
3 <sup>rd</sup> street improvement	Nov 24, 2009	2.35-2.75%	1,050,000
Fire truck	Feb 4, 2010	3.35%	235,000
Rescue vehicle and GO refunding	Apr 25, 2012	.55 - 2.90 %	3,170,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds:			
General obligation and refunding bonds	Nov 22, 2005	3.90 - 4.10 %	\$ 980,000
Revenue notes:			
Sewer	Mar 16, 1992	3.00 %	\$ 337,000
Sewer	Nov 1, 1996	5.75 %	885,000
Water	Apr 15, 2008	3.35 - 3.75 %	1,725,000
Water	Apr 25, 2012	1.15 - 3.00 %	1,360,000
Total			

See accompanying independent auditors' report

## Schedule 2

<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
15,976	-	15,976	-	822	-
2,715,000	-	2,310,000	405,000	109,935	-
47,510	-	23,279	24,231	2,934	-
615,000	-	415,000	200,000	15,748	-
192,000	-	192,000	-	5,798	-
<u>-</u>	<u>3,170,000</u>	<u>-</u>	<u>3,170,000</u>	<u>-</u>	<u>-</u>
\$ <u>3,585,486</u>	<u>3,170,000</u>	<u>2,956,255</u>	<u>3,799,231</u>	<u>135,237</u>	<u>-</u>
\$ <u>385,000</u>	<u>-</u>	<u>385,000</u>	<u>-</u>	<u>14,045</u>	<u>-</u>
\$ 25,000	-	25,000	-	375	-
85,000	-	85,000	-	2,444	-
1,535,000	-	1,310,000	225,000	64,548	-
<u>-</u>	<u>1,360,000</u>	<u>-</u>	<u>1,360,000</u>	<u>-</u>	<u>-</u>
\$ <u>1,645,000</u>	<u>1,360,000</u>	<u>1,420,000</u>	<u>1,585,000</u>	<u>67,367</u>	<u>-</u>

City of Missouri Valley  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	General Obligation					
	Street Sweeper		Water Improvements		3 <sup>rd</sup> Street Improvement	
	Issued May 12, 2008		Issued Apr 24, 2008		Issued Nov 24, 2009	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	4.09 %	\$ 24,231	3.20 %	\$ 130,000	2.35 %	\$ 100,000
2014	-	-	3.40 %	135,000	2.75 %	100,000
2015	-	-	3.60 %	140,000	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Total		\$ 24,231		\$ 405,000		\$ 200,000

See accompanying independent auditors' report

**Debt**

GO Rescue Vehicle  
and Refunding Bonds  
Issued Apr 25, 2012

Interest Rate	Amount	Total
0.55 %	\$ 145,000	\$ 399,231
0.65 %	175,000	410,000
0.85 %	275,000	415,000
1.05 %	320,000	320,000
1.55 %	215,000	215,000
1.55 %	215,000	215,000
1.55 %	190,000	190,000
2.10 %	190,000	190,000
2.10 %	195,000	195,000
2.30 %	200,000	200,000
2.30 %	200,000	200,000
2.60 %	205,000	205,000
2.70 %	210,000	210,000
2.80 %	215,000	215,000
2.90 %	220,000	220,000
	<u>\$ 3,170,000</u>	<u>\$ 3,799,231</u>

**Revenue Notes**

Year Ending June 30,	Water Issued Apr 15, 2008		Water Issued Apr 25, 2012		Total
	Interest Rate	Amount	Interest Rate	Amount	
2013	3.35 %	\$ 70,000	-	\$ -	\$ 70,000
2014	3.55 %	75,000	-	-	75,000
2015	3.75 %	80,000	-	-	80,000
2016	-	-	1.15 %	105,000	105,000
2017	-	-	2.00 %	105,000	105,000
2018	-	-	2.00 %	105,000	105,000
2019	-	-	2.00 %	110,000	110,000
2020	-	-	2.00 %	110,000	110,000
2021	-	-	2.00 %	115,000	115,000
2022	-	-	2.50 %	115,000	115,000
2023	-	-	2.65 %	120,000	120,000
2024	-	-	2.75 %	120,000	120,000
2025	-	-	2.85 %	125,000	125,000
2026	-	-	2.90 %	130,000	130,000
2027	-	-	3.00 %	100,000	100,000
Total		<u>\$ 225,000</u>		<u>\$ 1,360,000</u>	<u>\$ 1,585,000</u>



City of Missouri Valley  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Eight Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts			
Property tax	\$ 1,193,289	1,249,746	1,159,025
Tax increment financing collections	132,026	95,668	88,554
Other city tax	329,192	306,914	294,781
Licenses and permits	55,207	57,867	16,268
Use of money and property	37,804	40,367	45,179
Intergovernmental	443,913	380,627	558,367
Charges for service	237,713	146,960	160,243
Special assessments	2,072	-	1,945
Miscellaneous	<u>194,644</u>	<u>121,402</u>	<u>177,877</u>
Total	\$ <u>2,625,860</u>	<u>2,399,551</u>	<u>2,502,239</u>
Disbursements			
Operating:			
Public safety	\$ 668,898	593,842	813,276
Public works	462,781	523,436	558,641
Culture and recreation	521,007	445,007	402,419
Community and economic development	-	-	26,190
General government	238,859	255,171	253,601
Debt service	691,656	615,241	787,073
Capital projects	<u>413,542</u>	<u>321,133</u>	<u>775,015</u>
Total	\$ <u>2,996,743</u>	<u>2,753,830</u>	<u>3,616,215</u>

See accompanying independent auditors' report

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,139,007	993,959	906,871	954,490	947,298
132,418	76,174	172,242	264,215	274,845
312,273	295,582	270,813	260,569	266,249
8,082	6,612	6,631	10,690	8,278
80,896	143,153	186,868	71,127	28,913
640,206	427,167	602,242	293,004	319,538
140,819	146,554	162,842	170,013	163,518
2,811	7,006	-	-	-
95,635	121,909	128,942	53,296	190,965
<u>2,552,147</u>	<u>2,218,116</u>	<u>2,437,451</u>	<u>2,077,404</u>	<u>2,199,604</u>
504,789	510,017	469,765	428,948	377,636
519,356	477,145	404,610	483,418	377,457
814,237	440,063	430,750	376,793	428,532
-	-	302,070	598,168	-
247,460	312,698	269,048	280,952	242,345
420,384	264,138	363,538	684,935	322,746
-	61,483	-	75,971	199,138
<u>2,506,226</u>	<u>2,065,544</u>	<u>2,239,781</u>	<u>2,929,185</u>	<u>1,947,854</u>

**City of Missouri Valley**

January 23, 2013

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 23, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Missouri Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Missouri Valley's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Continued...

City of Missouri Valley  
Independent Auditors' Report on  
Internal Control and Compliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Missouri Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Missouri Valley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Missouri Valley's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Missouri Valley and other parties to whom the City of Missouri Valley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Missouri Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroeder & Associates, P.C.*

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No matters were reported.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting:**

II-A-12      Certified Budget

Disbursements during the year ended June 30, 2012 did not exceed the amended amounts budgeted.

II-B-12      Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12      Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12      Business Transactions

We noted no business transactions between the City and City officials or employees.

II-E-12      Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12      Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-12      Revenue Notes

The City is in compliance with the provisions of the bond resolutions.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting Continued:**

II-H-12      Excess Balances

Comment – The balances in the Special Revenue Fund, Road Use Tax Account, Local Option Sales Tax Account, CDBG Account, the Debt Service Fund, and the Enterprise Fund, Water Account at June 30, 2012, were in excess of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions. The City should consider reducing the water and sewer rates as well.

Response – We will review the Debt Service Fund further before the next budget is certified. We plan to utilize the funds in the Road Use and Local Option Sales Tax Accounts for construction projects. We will consider a rate reduction to reduce the Water Fund.

Conclusion – Response accepted.

II-I-12      Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-12      Other Information Required by Bond Resolution

Insurance

Adequate insurance was in force at June 30, 2012.

Statistical Information

Utility customers served at June 30, 2012	1,211
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Gallons billed during the year ended June 30, 2012 were approximately	77,711,300
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